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MARSHALL SEEKS FULL PUBLIC APPROVAL FOR U.S. STAND AT MOSCOW

WASHINGTON—Since the Foreign Ministers of the United States, the Soviet Union, the United Kingdom and France failed to agree on peace treaties for Germany and Austria during the forty-six-day Moscow Conference that ended on April 24, the Truman administration has begun to seek full public support for the next phase of negotiations.

To augment its bargaining power when peace talks are reopened in London in November the Administration wants complete American approval for the stand that Secretary of State George C. Marshall adopted at Moscow. "The state of the world today and the position of the United States makes mandatory a unity of action on the part of the American people," Secretary Marshall stated in his radio report to the nation on April 28. This was the key sentence of his talk. "We must not compromise on great principles," he cautioned. American political leaders believe that obvious public support of the official attitude toward the unwritten treaties would increase our chance of persuading Russia to agree to Secretary Marshall's views about the great principles at stake in the treaties. Marshall lacked this clear backing at Moscow because, among other possible reasons, the Administration had not told the American public what proposals the United States would present to the Foreign Ministers.

SEVEN TREATY ISSUES. The Marshall address exposed the tenseness of the conflict for power and influence in Europe between Russia and the United States, not so much in the Secretary's catalogue of seven outstanding specific questions on which the two countries differ as in the commentary that accompanied the catalogue. A note of intransigence ran through the talk which could in itself be merely a tactical maneuver in the diplomatic strategy of the

Truman administration. Four of the disputed issues concern economic matters. The American government favors the economic unification of Germany, whereas Russia has made no move toward this unification which is called for in the Potsdam agreement of 1945. "The character of the control over the Ruhr industrial center, the greatest concentration of coal and of heavy industries in Europe, continues a matter for debate." The American government opposes the taking of reparations from German current production, whereas Russia, pointing to an understanding reached at Yalta of which Marshall denies knowledge, seeks such reparations. The two powers disagree over the nature of German assets in Austria to which Potsdam entitles Russia; Marshall, protesting that Russia lists, among the assets due her, possessions "taken from Austria and the citizens of the United Nations by force or duress by Hitler," opposed the granting of any but unquestionable German holdings to the Soviet Union. Three principal political issues divided the negotiating governments. The United States opposed the Polish claim to territories in eastern Germany which Russia supported. Russia upheld the Yugoslav claim to a portion of Carinthia in Austrian territory to which the United States objected. Above all, the United States opposed the creation of a strong centralized government of Germany for which Russia asked.

A novel feature of the Marshall talk was its direct criticism of the Russian government, a characteristic seldom found in the addresses made by either President Truman or Marshall's predecessor, James F. Byrnes, or by Marshall himself before the Moscow Conference. Speaking about Russian criticism of the economic merger of the British and American zones in Germany, Marshall said: "It is difficult to regard their attacks as anything but propaganda designed

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to divert attention from the Soviet failure to implement the economic unity agreed at Potsdam." Marshall, commenting on the issue of a strong centralized German government, apparently manifested concern lest the Reich come under control of the Soviet Union through Communists and be put to military use for Russia, although the Secretary of State did not mention Russia or Communists by name. The United States and Britain, he said, think a central government could be too readily converted to the domination of a regime similar to the Nazis. The effect of such comments is to convey to the American public a picture of a co-negotiator animated by ill-will toward the rest of the world.

The Secretary implied that Russia argued on the basis of fictions when he said: "Charges were made by the Soviet delegation and interpretation given the Potsdam and other agreements which varied completely from the facts as understood or factually known by the American delegation." The London meeting will disclose whether this frank comment has persuaded Russia to accept our views or steeled her to continue to oppose them.

CHANCES FOR TREATIES. Although it is tempting to appeal to patience by pointing out that negotiations for the Axis satellite treaties signed in February 1947 began with a stalemate conference

in 1945, the issue of Germany goes so much farther toward the roots of the diplomatic struggle between the United States and the Soviet Union that it would be unwise to predict absolutely that the negotiations, interrupted by the conclusion of the Moscow conference, will some day end successfully. Marshall, whose talk, it must be remembered, was meant for the ears of the Russians as well as Americans, expressed both hope and skepticism. He was disappointed by the failure of the Four Powers to agree on an Austrian treaty; the best he got was a commission to consider the Austrian issue. But he strengthened himself diplomatically at Moscow by aligning France and Britain with the United States on most of the major issues, and he tried to add to that strength by urging the inclusion, in the treaty drafting, of representatives of all the fifty-one states that declared war on Germany. He reported to the United States that Premier Stalin expressed the view to him that compromise would come, but Marshall described the issue as no less than the great principles on which he said he could not compromise. He hinted that America might strike out on its own course, since "disintegrating forces are becoming evident" in Europe. "Action," he said, "cannot await compromise through exhaustion." Marshall is testing the efficacy of rigid diplomacy. **BLAIR BOLLES**

U.S. URGES NEW REPARATIONS PLAN TO AID EUROPE'S ECONOMY

The Moscow meeting of the Council of Foreign Ministers has clarified Big Four differences as to the economic provisions of a German peace settlement. But while there is some gain in this, it is offset by the fact that the liberated countries of Europe must wait another six months or more before they can have any clear picture of the contribution Germany is to make to their economic reconstruction. Under the terms of the Potsdam accord and the subsequent level-of-industry agreement, the victims of German aggression were to receive reparations in the form of plant removals and certain external assets. The failure of France and Russia, however, to join the other two occupying powers in treating Germany as an economic unit, which Moscow had agreed to at Potsdam, resulted in an early breakdown of the reparations program. The resulting situation is not satisfactory from any point of view. With coal production in the Ruhr little more than one-half the pre-war rate, the fuel famine continues in France and elsewhere. In the Low Countries, the prostrate condition of the German economy is a serious drag on recovery.

MARSHALL'S PROPOSALS. In defining the objectives of American policy at Moscow, Secretary of State Marshall stated that there must be economic unity in Germany, with a common plan to balance imports and exports at a level that would afford a

"livable standard." He proposed that the level-of-industry scheme be revised "to bring the German productive plant more into line with the requirements of Europe and, with this, quick completion of reparations." In a statement on April 9 regarding the German territory now administered by Poland, he remarked that "we are dealing with a problem which touches closely on the political stability and economic health of much of Europe." He proposed, therefore, that the peace settlement provide that "certain economic resources of the ceded territory on which other countries are dependent should be administered with due regard to their needs." On the following day, in a discussion of the future of the Ruhr and Saar, Marshall agreed to French control of the economic resources of the latter. With respect to the Ruhr—the mainstay of German industrial power—he contended that, as in the case of Upper Silesia, the resources of this area must be viewed from the standpoint of their usefulness to the European economy. The Ruhr should not be separated from Germany, nor should any special, four-power system of control be established, as proposed by France and Russia. The UN Economic Commission for Europe, which was created March 28, 1947, might be utilized to provide a long-range solution on a continental basis, Marshall added. In short, what is required, he said, "is a European solution in

a Europe which includes Germany?"

Although the European Economic Commission received only a passing reference at Moscow, it appears that much is expected of this agency as a means whereby greater stability and integration can be achieved in the economy of the continent. The importance which Washington attaches to it was indicated on April 23, when it was announced that Under-Secretary of State Clayton would serve as the American member. It is contended that the Commission could strengthen the liberated countries vis-a-vis a revived German economy by promoting economic unity in Europe as a whole. Another variant of this line of reasoning is the proposal for a United States of Europe, a project which has been advocated abroad for many years, and has recently attracted attention in the United States. Thus on April 18, eighty-one prominent Americans issued an appeal requesting that this country support union among the nations of Europe. In Britain, Winston Churchill is a leading advocate of the idea.

RUSSIA AND GERMANY. For its part, Moscow views with suspicion all such proposals for a united Europe, fearing that there may be a revival of German military power under such a plan. The Byrnes' proposal for a four-power long-term treaty to keep Germany disarmed, which Marshall repeated at the Moscow meeting, was not acceptable to Russia as a sufficient safeguard for its security. As a condition for economic unity in Germany and an upward revision of the level of industry, Foreign Minister Molotov demanded that his country receive over a period of twenty years further reparations totaling \$10 billion dollars, in both plant and current out-

put. Citing the devastation wrought in Russia by the German army, Molotov asserted that this demand was fair and proper. As Marshall pointed out, however, Moscow had agreed to economic unity at Potsdam without any proviso that there should be reparations from current output; accordingly, there was no reason why implementation of the agreement should be subject to new conditions.

Another question posed by Molotov's proposal is that of the capacity of Germany to pay such reparations in the near future. There are the claims made by other devastated countries which must be considered; at the same time, the problem of financing German import requirements remains. For even were all zones to be merged, Germany would not thereby become self-supporting; it would still need foreign raw materials and foodstuffs. At present the Russian domestic economy cannot supply these imports, although food and other supplies from its zone in Germany could ease the problem somewhat. What is required, therefore, is an expansion of German production and larger exports to pay for imports. That is the object of Britain and the United States in their zones. Until that goal is reached, any future agreement to share the output of western Germany with Russia as reparations is not likely to include deliveries as large as those envisaged by Moscow (i.e., \$500 million a year). In brief, there is the double problem of how Germany can be made self-supporting, while at the same time reconciling Russian claims on German economic resources with the equally valid claims of other devastated countries in Europe.

HAROLD H. HUTCHESON

CAN LATIN AMERICA ACHIEVE BALANCED ECONOMY?

The Latin American appraisal of United States policy in this hemisphere happens to coincide with the viewpoint of that sector of American opinion which is critical of the Administration's stand on Argentina and the Rio de Janeiro conference. In general, however, thinking Latin Americans take a much broader view of the prevailing situation. The Argentine problem, they believe, is only one aspect of the extraordinarily complicated task of making the inter-American system work, and it should be tackled within and as a part of the larger objective. As they see it, the goal of unifying the hemisphere on a political and military basis, to which North Americans give priority, is dependent upon that of remedying the basic economic ills of the twenty Latin American countries. Greater political cooperation will follow from, rather than precede, a larger measure of economic stability and coordination among the American Republics. Dr. Eduardo Santos, Colombian elder statesman, analyzing the plans of the Inter-American Defense Board for *El Tiempo* of

Bogotá on March 18, urged that government action be directed toward securing for the people not "cannon and tanks, large, dangerous armies and war planes, but education, health and well-being, and the opportunity to struggle for existence."

ECONOMIC SITUATION NOT YET "NORMAL." Statistics on the nature and direction of Latin American trade during 1946 reveal that whatever recent changes have occurred in the production and trade pattern established during the war years have been changes in tempo rather than trend. During 1946, the first full post-war year, the value of Latin American imports reached the record high of \$3,500,000,000. Imports from the United States accounted for about 60 per cent of this total, and, on the other hand, these exports to Latin America constituted 22 per cent of our total exports, as compared with only 13 per cent the previous year. Machinery and vehicles composed by far the most important group of United States exports to Mexico, Brazil, Cuba, Venezuela, Argentina, Colombia and Chile.

In this order of importance, these seven principal Latin American traders bought merchandise in the amount of \$1,831,900,000 from the United States. While imports are high, the deferred Latin American demand for all types of capital equipment and consumer goods is by no means satiated. Export houses in this country look forward, therefore, to an even more prosperous 1947. For the Latin American countries, however, continued shortages—combined with excessive purchasing power—have accelerated the inflation which is almost without exception, the most serious problem immediately confronting them. While decontrol of prices in the United States appeared momentarily to brighten the economic horizon of those countries which before had exported a crop or commodity, such as coffee, at a negotiated price, the resulting benefit to the economy has been curtailed by the increased cost of American exports.

On the other hand, Latin American sales abroad remained unexpectedly high during the past year, thus easing the transition to a lower volume of raw material sales abroad which Latin Americans had anticipated and dreaded. Although many Allied procurement contracts were terminated or cut back in 1945, private demand abroad for reconstruction purposes kept Latin America a sellers' market. The value of Latin American exports in 1945 increased to \$3.3 billion from the 1944 peak of \$3 billion. And in the year just past the exports of Argentina, Brazil, Chile, Uruguay and Mexico almost matched the 1945 sales abroad of all Latin American countries combined. The value of Argentina's exports in 1946, for example, was the highest ever recorded in that country. The United States was Latin America's largest market, taking 36 per cent of all its imports from that area. But this figure represents a decline from the abnormal situation during the war when the United States acquired slightly over half of all imports from Latin America. The demand in this country has contracted approximately to the "norm" for the best peacetime years.

"NORMAL" NOT GOOD ENOUGH. The economic prospects for Latin America beyond 1947, when the wartime boom will have spent itself, depends not merely on local developments but on the level of economic activity in other countries—particularly the possibility of a business recession in the United States—and on such international trading arrangements as may be devised. Virtually all Latin American governments have sponsored more or less ambitious development programs in order to liberate their economies from the one-commodity pattern. They look primarily to the United States to effect their economic transformation. This tendency is not confined to the Caribbean nations alone but is true also of the east coast countries of South America, and especially of Argentina, which before the war traded more with Europe than the United States. Insufficient means of payment, however, may deter industrial progress. For in the last analysis, Latin American countries must finance their industrialization out of current earnings from exports. Although during the war they amassed holdings of gold and foreign exchange probably aggregating close to \$5 billion at the end of 1946, the purchasing power of these reserves has shrunk and cannot be depended upon to underwrite their imports over a long period of time. It is generally agreed that the area must continue to depend for its prosperity principally on exports of raw or processed materials. Other things being equal, therefore, these countries will tend to buy from the markets where they can sell their goods. Considerations of this nature moved the Inter-American Council of Commerce and Production, a private organization, at its April conference in Montevideo, to express concern over the effect of a large excess of United States exports over imports on Latin American dollar holdings. The conference drew up a list of commodities which could be shipped to this country to balance these exports.

The problem of marketing is only one of many related to the future of this underdeveloped area which Latin Americans cannot solve alone. They believe that they should receive special consideration at the international level not only because their economies are inordinately sensitive to world economic conditions but also because the area has made, and can continue to make, a tangible contribution to the reconstruction of the world economy.

OLIVE HOLMES

(The second of two articles dealing with hemisphere developments.)

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